ALBERTA OPPORTUNITY COMPANY

Turning Opportunity into Enterprise

Alberta Opportunity Company

1999/2000 Annual Report

An alternate source of business financing since 1972.

ALBERTA OPPORTUNITY COMPANY

Turning Opportunity into Enterprise

Our mission is to promote the economic development of Alberta by providing financing to small business, when it is unavailable from conventional sources.

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1999/2000 Annual Report

Report from the Directors

Fiscal year 2000 saw Alberta Opportunity Company once again turn in a strong performance, both in financial terms and in providing important support to the province's small business community.

Supporting the Entrepreneurial Spirit

The entrepreneurial spirit is alive and well in Alberta. Ambitious and innovative Albertans, willing to work hard and take risks, are continuing to change the economic landscape of the province. They are leading the way in building our diverse economy, thus enabling Alberta to sustain its economic vitality. We at AOC are proud to support many of these businesses in their growth and development.

Alberta Opportunity Company was created in 1972 to overcome a recognized shortfall in the availability of capital for small businesses in our province. With the exception of minor differences resulting from cyclical shifts in the economy, this situation has changed little since then. The current trend to centralization in major financial institutions will result in an increase in that service gap in rural areas, where we continue to stand ready to meet the financing needs of entrepreneurs. We believe the ultimate measure of our success is achieved when our clients prosper and become strong enough to make financing arrangements with commercial lenders.

Although we now report to the Legislature through the Minister of Agriculture, Food and Rural Development, our mandate remains unchanged. AOC's primary role continues to be the encouragement and support of economic growth in Alberta by helping promising entrepreneurs create and grow their businesses.

Continuing growth and development

We continue to search for new ways to provide better programs and service to our customers. In order to stay current with the unmet needs of Alberta's small business entrepreneurs, we commissioned an independent survey last fall of both our existing and former clients.

The survey showed that, not surprisingly, most important to Alberta entrepreneurs is that their lender provide them with financing options and alternatives. This is where AOC excels. We offer innovative and flexible financing programs supported by the best people and leading technologies. Our staff is committed to finding financing solutions to meet the entrepreneur's unique financing needs.

Our Board of Directors is composed of business people whose personal and professional experience ensures that we have a thorough appreciation of the needs of businesses in Alberta, and are able to understand the importance and impact of AOC's support to them. This also results in policy development being undertaken from a very practical perspective, always mindful of the current situation in the marketplace.

We are pleased to report that in this past year AOC operated at a net cost to government of less than $1 million. A full review of these operating results is provided in the Management Discussion and Analysis section of this Annual Report.

Focused on the Future

At AOC we take our cue from our borrowers, who continue to show us the way through their innovative spirit and boundless energy. Their example keeps us focused on our commitment to continuous improvement in our services and our search for new and better ways to facilitate the development of entrepreneurship in Alberta.

Our mandate is to promote the economic development of the province through our lending activities. We can best realize this objective by staying focused on the needs and aspirations of the individual business people who collectively create that economic development, and by responding with relevant and timely financial assistance.

By nurturing the business goals of our entrepreneurs, we enable them to support the success of Alberta.

M. C. Procter

Michael C. Procter
Chair

J.R. Anderson

James R. Anderson
President and CEO

Report of the Auditor General on the Results of Applying Specified Audit Procedures to Performance Indicators

AUDITOR GENERAL
Alberta

To the Board of Directors of Alberta Opportunity Company

I have performed the following specified audit procedures in connection with Alberta Opportunity Company's Performance Indicators included in the 1999-00 Annual Report.

1. New loan/guarantees, export financing, loan write-offs, net of recoveries, and jobs created/preserved were agreed to the internal loan management system data.
2. The amount recorded in the loan management system was agreed to the original loan contract for a sample of 30 implemented loans and 9 export guarantees.
3. The operating grant from government was confirmed with Alberta Agriculture, Food and Rural Development.
4. The net cost to government was recalculated by subtracting the operating grant from government from the reported audited net income figure.
5. The loan write-offs balance recorded in the loan management system was agreed to minutes of the Board of Directors meeting.
6. The loan write-offs, net of recoveries, as a percentage of the gross loan portfolio was recalculated.
7. The calculations, which converted source information into reported measures, were tested.
8. The appropriateness of the description of each measure's methodology was assessed to ensure that it did not materially misrepresent the information presented.

As a result of applying the above procedures, I found no exceptions. However, these procedures do not constitute an audit of the set of key measures and therefore I express no opinion on the set of key measures included in the 1999-00 Annual Report of Alberta Opportunity Company.

Peter Valentine

FCA
Auditor General

Edmonton, Alberta
July 7, 2000

Management Discussion and Analysis

The detailed discussion and analysis in this section is provided to assist readers in their assessment and understanding of the results of operations and financial position of Alberta Opportunity Company (AOC). It also provides a review of AOC's risk management policies and an outlook for the future. This section should be read in conjunction with the audited Financial Statements and supporting notes reported on pages 9 to 20 of this report.

Overview of 2000 Results

In fiscal year 2000 AOC continued to promote the economic development of Alberta by providing financing to small business when it was unavailable from conventional sources. AOC helped entrepreneurs to start or expand their business through the provision of 309 loans, bank guarantees and export guarantees totalling $42.6 million - an 8% increase over the previous year. The size of our loan portfolio continues to grow - a 10% increase in 2000 compared to 14% in 1999. AOC reported a net income of $4.6 million for the year, after a marginal increase in grant assistance. This compares to 1999 net income of $5.5 million.

Performance Management

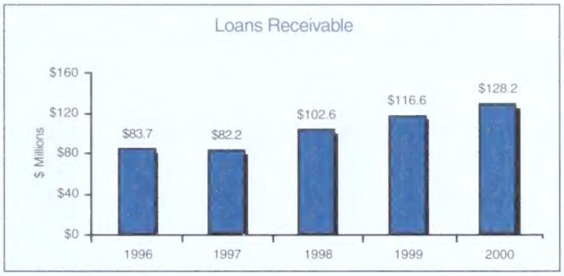
AOC continued to meet the needs of our small business borrowers by focusing on business plan goals. Our achievements for 2000 are measured against performance measures as follows:

Performance Measures	Actual	Goal
New loans/guarantees	$ 41.3 million	$ 38.5 million
Export financing	$ 1.3 million	$ 3.0 million
Operating grant from Government	$ 5.6 million	$ 5.4 million
Net cost to Government	$ 1.0 million	$ 4.9million
Loan write-offs, net of recoveries	0.5% of loan porfolio	3.3% of loan portfolio
Jobs created/preserved	2,640	2,400

AOC conducts an annual survey of current borrowers to determine the impact of these operations on the economy. For the 2000 fiscal year the survey included 839 borrowers compared to 858 borrowers in 1999. The following chart highlights the findings of our survey.

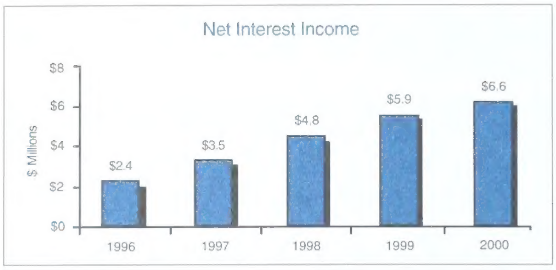
Economic Impact	2000	1999
Total annual revenues	$ 684 million	$ 634 million
Export sales outside of Alberta	$ 124 million	$ 99 million
Employment - full-time equivalent positions	5,900 jobs	5,920 jobs
Payroll	$ 133 million	$ 130 million
Corporate income, property & business taxes paid (excl. payroll, GST or indirect taxes)	$ 8 million	$ 8 million

Financial Highlights

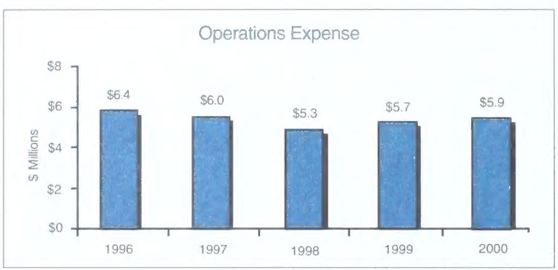


Consistent demand for financing led to an increase in the loan portfolio of $11.6 million for the year, to $128.2 million, an increase of 10%. In fiscal 2000, 58% of loan approvals were for amounts of $100,000 or less and 63% of approvals were to rural areas. This reflects the Company's commitment to smaller businesses.

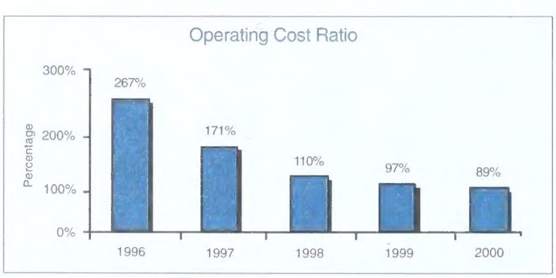
Total authorizations increased by $3.3 million or 8% over last year. Authorizations of $42.6 million surpassed our 2000 target of $41.5 million by $1.1 million or 3%. These results are particularly notable as they compare favourably to 1998 activity levels of $46.3 million, which were among the highest in the Company's 27-year history.



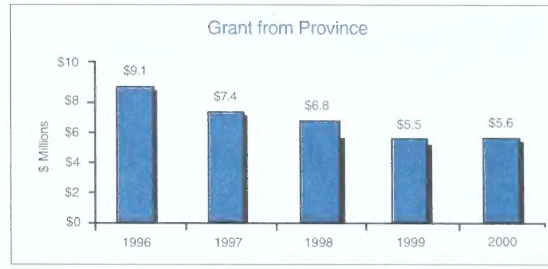
Net interest income of $6.6 million, was higher by $0.7 million or 12% over the previous year. Interest revenue is earned from interest charged on outstanding loans and from cash deposited in the Province of Alberta's Consolidated Cash Investment Trust Fund. Interest expense includes interest paid to the Province of Alberta on note borrowings.



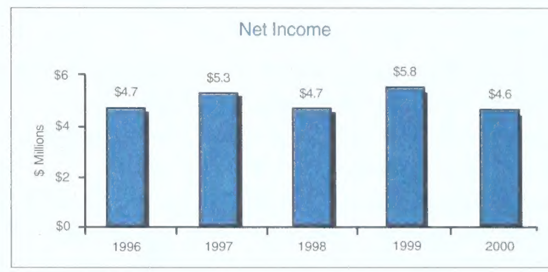
Operating costs increased by $0.2 million or 4% over last year and are attributable to general inflationary pressures and an additional summer public relations campaign to increase awareness of the Company's role and services, enabling AOC to better serve the needs of small business in Alberta. Overall operating costs are tightly controlled and have not increased in direct relation to increases in lending activity levels.



The operating cost ratio decreased to 89% in fiscal 2000, compared to 97% in 1999. This ratio measures overall productivity by comparing operating costs to net interest income, with a lower ratio indicating higher productivity.



Grant from Province of Alberta is required to maintain the financial viability of AOC for providing assistance to small business. In 2000 the grant was increased by 2% over the previous year as a result of general salary increases in the public service. Future plans are to maintain the grant at its present level.



Net income of $4.6 million decreased by $0.9 million or 16% from 1999 results primarily due to an increase in the provision for possible loan losses, which totalled $2.3 million in 2000, $1.6 million higher than last year. In 2000 AOC maintained a conservative allowance for loan losses of 8.7% compared to 8.4% in 1999. Actual loan write-offs were $1.1 million compared to an unusually low amount of $0.4 million in 1999.

Financing activities

Financing needs are met by borrowing from the General Revenue Fund at current market rates. Notes payable to the Province of Alberta as at March 31, 2000 totalled $86.9 million, an increase of $0.5 million from March 31, 1999. As at March 31, 2000 the weighted-average interest rate on notes payable was 5.5% compared to 5.3% last year.

Risk Management

AOC's framework of risk management includes processes for the evaluation and acceptance of risk within appropriate limits in the areas of credit risk, interest rate risk and operational risk.

Credit risk arises from potential for a borrower to default on its loan obligations to the Company. The risk range in which AOC operates tends to be higher than that of conventional financing institutions because the Company's mandate is to provide loans to Alberta businesses that have viable business proposals, when such support is not available from conventional lenders. Standards that are applied in the management of credit risk include:

- clear communication to account managers of lending policies, security requirements and operating procedures;
- competency requirements for all officers whose responsibilities include evaluation of credit risk, and delegation of decision-making authority consistent with demonstrated ability;
- disciplined decision-making with loan proposals evaluated by a minimum of two officers. In the case of all large loans, approval from a committee of senior management or the Board of Directors is required;
- prompt recognition, regular monitoring and timely valuation of problem accounts.

Interest rate risk refers to the sensitivity of net interest income to changes in interest rates. This risk is managed by borrowing a mix of short-term and long-term debt through the Province of Alberta at fixed interest rates and terms designed to balance the average terms of AOC's loan portfolio while maintaining an appropriate interest spread. All loans are provided at fixed interest rates over terms of one to five years.

Operational risk is the potential for loss as a result of a breakdown in information or transaction processing or legal compliance systems due to procedural or systems failures, errors, natural disasters or fraudulent activity. Operational risk is managed by a system of internal controls that requires segregation of duties, clearly established authorities, documentation of policies, procedures and code of conduct, accounting and record-keeping systems, financial and managerial reporting, back-up procedures and insurance coverage.

Future Outlook

The Alberta economy is forecast to grow at a rate of 4.2% for the calendar year 2000, well above the 3.1% growth rate for all of Canada. This bodes well for Alberta's entrepreneurs, who are always at the leading edge of Alberta's performance. We are therefore again expecting strong performance for AOC in the coming year. However, AOC's commitment to smaller businesses located in smaller communities necessarily implies a level of risk beyond that which is acceptable to conventional lenders. This means that AOC is always exposed to any softening in the economy, which impacts these small businesses first. Our conservatism in setting allowances for loan losses remains at the forefront of our budgeting practices, even though in recent years Alberta's strong economy and the continuing prosperity of rural communities has resulted in actual loan losses, that are well below budgeted levels.

AOC remains committed to providing quality service to our borrowers, and our search for ways to improve is ongoing. We are inspired in these efforts by the example of our clients, whose resourcefulness and innovation are continuing demonstrations of... *turning opportunity into enterprise.*

Management's Responsibility for Financial Information

The accompanying financial statements of Alberta Opportunity Company and all information in this annual report are the responsibility of the Company's management and have been reviewed and approved by the Board of Directors. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and necessarily include some amounts that are based on informed judgments and best estimates of management. Financial information presented elsewhere in the annual report is consistent with that contained in the financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained.

The Board of Directors is responsible for ensuring management fulfils its responsibilities for financial reporting and internal control and exercises this responsibility through the Budget and Audit Committee of the Board, which is composed of Directors who are not employees of the Company. The Budget and Audit Committee meets regularly with management and the independent auditors to discuss auditing and financial matters, gain assurance that management is carrying out its responsibilities and to review the financial statements. The auditors have full and free access to the Budget and Audit Committee.

The Auditor General of Alberta, the Company's independent auditor, is responsible for auditing the transactions and financial statements of the Company and for issuing an opinion thereon.

J.R. Anderson

James R. Anderson
President and CEO

M. Greipl

Mag R. Greipl
Chief Financial Officer

Auditor's Report

AUDITOR GENERAL
Alberta

To the Board of Directors of Alberta Opportunity Company

I have audited the balance sheet of Alberta Opportunity Company as at March 31, 2000 and the statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine
FCA
Auditor General

Edmonton, Alberta
May 3, 2000

Balance Sheet

as at March 31, 2000 (in thousands)

	2000	1999
ASSETS		
Cash	$ 1,246	$ 6,078
Accounts receivable	147	155
Loans receivable (Note 4)	116,976	106,802
Property held for sale (Note 6)	245	40
Deferred charges	454	645
Capital assets (Note 7)	1,113	1,071
	$ 120,181	$ 114,791
LIABILITIES AND RETAINED EARNINGS		
Accounts payable and accrued expenses	$ 1,872	$ 1,600
Notes payable (Note 8)	86,903	86,380
	88,775	87,980
Retained earnings	31,406	26,811
	$ 120,181	$ 114,791

Approved on behalf of the Board of Directors:

M. C. Procter

Michael C. Procter
Chair

J. R. Anderson

James R. Anderson
President and CEO

The accompanying notes are an integral part of these financial statements.

Statement of Income and Retained Earnings

for the year ended March 31, 2000 (in thousands)

	2000		1999
	Budget (Note 15)	Actual	Actual
NET INTEREST INCOME			
Interest income	$ 9,563	$ 11,273	$ 10,396
Interest expense	4,569	4,718	4,536
	4,994	6,555	5,860
NET INTEREST INCOME AFTER CHARGE FOR LOSSES			
Charge for loan losses and losses on realization (Notes 5 and 6)	4,021	2,256	717
	973	4,299	5,143
OTHER INCOME			
Application and processing fees	515	583	558
Grant from the Province of Alberta for the assistance of small business	5,447	5,575	5,521
	5,962	6,158	6,079
NON-INTEREST EXPENSE			
Operations (Note 10)	6,388	5,862	5,679
NET INCOME FOR THE YEAR	$ 547	$ 4,595	$ 5,543
RETAINED EARNINGS			
Beginning of year, as previously reported		$ 26,811	$ 20,760
Accounting change (Note 3)		-	508
As restated		26,811	21,268
Net Income		4,595	5,543
RETAINED EARNINGS, END OF YEAR		$ 31,406	$ 26,811

Statement of Cash Flows

for the year ended March 31, 2000 (in thousands)

	2000	1999
OPERATING ACTIVITIES		
Net income for the year	$ 4,595	$ 5,543
Recoveries of loans written off	449	647
Items not affecting cash:		
Charge for loan losses and losses on realization	2,256	717
Amortization of capital assets	239	193
Amortization of note discounts	975	829
Net change in other assets and other liabilities	(106)	10
Cash flows from operating activities	8,408	7,939
INVESTING ACTIVITIES		
Loans disbursed	(38,969)	(37,462)
Proceeds from repayment of loans	26,434	23,199
Payment of called guarantees	(140)	(365)
Acquisition of property (net of sale proceeds)	(38)	48
Purchase of capital assets (net of sale proceeds)	(266)	(400)
Cash flows used in investing activities	(12,979)	(14,980)
FINANCING ACTIVITIES		
Proceeds of notes	19,163	35,602
Repayment of notes	(19,424)	(21,806)
Repayment of debentures	-	(5,977)
Cash flows from (used in) financing activities	(261)	7,819
Net (decrease) increase in cash	(4,832)	778
Cash at beginning of year	6,078	5,300
Cash at end of year	$ 1,246	$ 6,078

Supplementary cash flow information:

Interest paid during the year	$ 4,470	$ 4,181

Notes to the Financial Statements
March 31, 2000 (tabular amounts in thousands of dollars)

1 Authority and purpose

Alberta Opportunity Company operates under the authority of the Alberta Opportunity Fund Act, Chapter A-34, Revised Statutes of Alberta 1980, as amended.

The purpose of the Company is to provide financial assistance and guidance for the development of Alberta business. Priority is given to smaller businesses in rural communities which, although viable, are unable to obtain financing from conventional institutions. Priority is also given to Alberta-owned businesses which will create jobs, are introducing improvements in productivity or technology, or have export or tourism potential.

The Province of Alberta maintains the financial viability of the Company by granting money appropriated for this purpose.

2 Significant accounting policies

These financial statements have been prepared in accordance with accounting principles generally accepted in Canada. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The following paragraphs describe the significant accounting policies.

Deferred charges

Deferred discounts and issue costs arising on the issue of notes payable are amortized on a straight-line basis over the term to maturity and charged to interest expense.

Property held for sale

Property held for sale is valued at the lower of cost and estimated net realizable value. Operating costs less rental revenues are added to the cost of the properties. Changes in the allowance for losses on realization are reflected in income.

Loans receivable

Interest revenue is accrued on loans until such time as a loan is classified as impaired. Interest income is not recognized on impaired loans until such time as the charges for loan impairment have been reversed.

A loan is classified as impaired when, in management's opinion, there has been a deterioration in credit quality to the extent that there is reasonable doubt as to the timely collection of some portion of principal and interest. A loan where payment of interest is contractually past due 60 days is classified as impaired unless there is no reasonable doubt as to the collectability of all interest and principal.

Loans receivable are stated net of an allowance for loan losses. The allowance for loan losses represents Management's best estimate of probable losses on loans outstanding. The allowance has a specific and a general component. The specific allowance is established following a detailed review on a loan-by-loan basis wherein the discounted future cash flows and the fair value of the security underlying the loan are determined. The specific allowance reduces the carrying value of the impaired loans to their estimated realizable values. The general allowance recognizes that not all credit losses can be specifically identified on a loan-by-loan basis. The general allowance is determined by historical trends in loss experience and the current portfolio profile together with management's evaluation of other existing conditions at the balance sheet date. Changes in the allowance for loan losses are reflected in income.

Capital assets

Capital assets are carried at cost less accumulated amortization. Amortization is calculated using the straight-line basis over the estimated useful lives of the assets as follows:

Furniture and office equipment	-	15%
Computer equipment and software	-	20%
Leasehold improvements	-	term of each lease

Pensions

The Company participates in multiemployer pension plans with related government entities. Pension costs included in these statements comprise the cost of employer contributions for current service of employees during the year and additional employer contributions for service relating to prior years.

Operating grant

The grant from the Province of Alberta is recorded as revenue in the year for which it is approved.

3 Accounting Change

The Company has changed the way it accounts for its participation in multiemployer pension plans to a defined contribution basis as a result of adopting the Canadian Institute of Chartered Accountants Recommendations on Employee Future Benefits. This change in accounting policy has been applied retroactively with restatement of comparative amounts. As a result of this change, retained earnings as of April 1, 1998, have been increased by $508,000. As at March 31, 1999, pension liabilities have decreased and retained earnings have increased by $338,000. Pension expenses have increased by $170,000 for the year ended March 31, 1999, as a result of this change.

4 Loans receivable

	2000	1999
Loans and accrued interest receivable	$ 116,296	$ 108,168
Impaired loans	[illegible]	8,386
	[illegible]	116,554
Less allowance for loan losses (Note 5)		
Specific allowance	4,200	3,265
General allowance	6,977	6,487
	11,177	9,752
	$ 116,976	$ 106,802

Loans are secured by general security agreements, land mortgages, debentures and guarantees. Loans generate a weighted average interest return of 9.1% (9.1% in 1999).

	Term to Maturity[a]			2000	1999
	Within 1 year	1 to 5 years	Not Interest Rate Sensitive[b]	Total	Total
Loans	$ 18,697	$ 94,330	$ 3,949	$ 116,976	$ 106,802
Yield[c]	8.90%	9.88%		9.72%	9.44%

(a) Term to maturity reflects the period of time until a loan matures or where an interest rate is renegotiated, whichever is shorter.

(b) Includes net impaired loans, expired loans, and general provisions.

(c) Yield represents the rate which discounts future case receipts to the carrying amount.

5 Allowance for loan losses

	2000	1999
Allowance, beginning of year	$ 9,752	$ 8,882
Charge for loan losses	2,102	669
Write-offs	(1,126)	(446)
Recoveries of amounts previously written off	449	647
Allowance, end of year	$ 11,177	$ 9,752

6 Property held for sale

	2000	1999
Cost	$ 948	$ 589
Less allowance for losses on realization		
Allowance, beginning of year	549	545
Charge for losses on realization	154	48
Reversal on sale	-	(44)
Allowance, end of year	703	549
	$ 245	$ 40

7 Capital assets

	2000			1999
	Cost	Accumulated amortization	Net book value	Net book value
Equipment and software	$ 2,156	$ 1,062	$ 1,094	$ 1,039
Leasehold improvements	150	131	19	32
	$ 2,306	$ 1,193	$ 1,113	$ 1,071

Equipment and software includes approximately $287,500 (1999 - $262,000) in software at cost which is not being amortized due to being under development.

8 Notes payable

Notes are payable to the Province of Alberta.

Series	Maturity date	Interest rate	2000	1999
Note 001	February 15, 2001	5.65%	$ 3,891	$ 7,915
Note 002	March 29, 2001	6.75%	8,000	8,000
Note 005	March 27, 2002	5.44%	13,250	13,250
Note 008	September 30, 2002	5.00%	12,240	12,240
Note 013	March 31, 2003	5.00%	14,200	14,200
Note 015	December 1, 2003	5.10%	10,000	10,000
Note 017	December 16, 1999	Discount note - 4.80% yield	-	7,000
Note 018	March 27, 2000	Discount note - 5.00% yield	-	8,400
Note 019	March 30, 2004	5.30%	6,000	6,000
Note 020	December 14, 2000	Discount note - 5.81% yield	9,600	-
Note 021	March 26, 2001	Discount note - 6.00% yield	9,000	-
Note 022	April 12, 2000	Discount note - 5.15% yield	1,600	-
			87,781	87,005
Less unamortized discounts			878	625
			$ 86,903	$ 86,380

Scheduled principal repayments are as follows:

2001	$ 31,213
2002	13,250
2003	26,440
2004	16,000
	$ 86,903

	Term to Maturity[a]		2000	1999
	Within 1 year	1 to 4 years	Total	Total
Notes payable	$ 31,213	$ 55,690	$ 86,903	$ 86,380
Yield[b]	5.95%	5.23%	5.33%	5.30%

[a] Term to maturity reflects the period of time until the maturity date of the notes.

[b] Yield represents the rate which discounts the stream of future payments from the reporting date to the maturity date.

9 Employee Future Benefits

The Company participates in the multiemployer pension plans, Management Employees Pension Plan and Public Service Pension Plan. The Company also participates in the multiemployer Supplementary Retirement Plan for Public Service Managers established by the government effective July 1, 1999. The expense for these pension plans is equivalent to the annual contributions of $244,000 for the year ending March 31, 2000 (1999 - $219,700).

At December 31, 1999, the Management Employee's Pension Plan reported a surplus of $46,019,000 (1998 - $4,355,000) and the Public Service Pension Plan reported a surplus of $517,020,000 (1998 - $406,445,000). At December 31, 1999, the Supplementary Retirement Plan for Public Service Managers had a surplus of $33,000.

10 Operations

	2000	1999
Salaries and benefits	$ 3,828	$ 3,816
Communications	559	503
Occupancy	471	452
Legal and other fees	257	311
Amortization of capital assets	252	196
Board of Directors fees	50	53
Other	445	348
	$ 5,862	$ 5,679

11 Salary and benefits disclosure

	2000			1999
	Salary [a]	Benefits [b]	Total	Total
Chair of the Board	$ 9	$ -	$ 9	$ 6
President and CEO[c]	137	25	162	149
Regional Vice President, North	105	19	124	116
Regional Vice President, South	94	15	109	123
Chief Financial Officer	88	24	112	98
Manager, Corporate Development	85	4	89	90

(a) Salary includes regular base pay, bonuses and Board fees.

(b) Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, accidental disability and dismemberment insurance, short-term disability plan, professional memberships and vacation payouts.

(c) Automobile provided, no amount included for benefits.

12 Financial instruments

Fair values

Estimated fair value approximates amounts at which financial instruments could be exchanged in an arm's length transaction between willing parties who are under no compulsion to act. Many of the Company's financial instruments lack an available trading market, so fair values are based on estimates using present value techniques which are significantly affected by assumptions concerning the timing of future cash flows and discount rates. These estimates are subjective in nature and involve uncertainties and matters of judgment and, therefore, the fair value amounts should not be interpreted as being necessarily realizable in an immediate settlement of the instruments.

The Company has determined the fair value of its financial instruments as follows:

(a) Cash, accounts receivable, accounts payable and accrued expenses

The carrying amount on the balance sheet approximates fair value because of the short-term nature of these instruments.

(b) Loans receivable

The estimated fair value of loans is determined by discounting the expected future cash flows of these loans at current interest rates for developmental loans with similar terms and credit risks.

	2000		1999	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Loans	$ 116,976	$ 113,624	$ 106,802	$ 107,648

(c) Notes payable

The estimated fair values of the Company's debt instruments are as follows:

	2000		1999	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Notes payable	$ 86,903	$ 85,296	$ 86,380	$ 86,470

Credit risk management

Credit risk arises from the potential for borrowers to default on their contractual loan obligations. Credit exposure on the Company's loan portfolio is managed through due diligence and account administration. To minimize the credit risk associated with the loans the Company requires security agreements and personal guarantees on all loans.

Interest rate risk management

The Company manages interest rate risk by borrowing a mix of short-term and long-term debt through the Province of Alberta at fixed interest rates and terms designed to match the average terms of the Company's loan portfolio.

Cash is deposited in the Province of Alberta's Consolidated Cash Investment Trust Fund which is managed with the objective of providing a competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high-quality short-term and mid-term fixed income securities with a maximum term to maturity of five years.

13 Contingent liabilities

Guarantees of bank loans

The Company is contingently liable as a guarantor of bank operating lines of credit as follows:

	2000	1999
Guarantees	$ 2,118	$ 1,057
Export guarantees	1,360	2,096
	$ 3,478	$ 3,153

Legal actions

There are claims against the Company totalling approximately $16,947,000. The Company considers that a valid defence exists in every instance and no material loss is anticipated.

General

In the event that the Company incurs a loss on the foregoing matters, the loss will be accounted for as a charge to income in the year that the loss is determined.

14 Commitments

Unimplemented authorizations

	2000	1999
Loans	$ 9,275	$ 10,059
Guarantees	$ 990	$ 300
Export guarantees	345	410
	$ 1,335	$ 710

Operating leases

The Company has obligations under long-term, non-cancellable operating leases for premises. These leases generally have five year terms, include five year renewal options, and provide for payment of operating expenses and real estate taxes in excess of the amounts established at the commencement of the leases. The future minimum lease payments and estimated related costs for each of the next five years are as follows:

2001	$ 446
2002	423
2003	226
2004	113
2005	56
	$ 1,264

15 Budget

The 2000 budget was approved by Management on January 18, 1999 and is presented for comparison with the 2000 actual figures.

16 Comparative figures

Certain 1999 figures have been reclassified where necessary to conform to 2000 presentation.

Authorizations for Fiscal Year 2000

	Loans & Guarantees		Export Guarantees	
	#	$	#	$
Applications Received	475	74,475,400	6	1,295,000
Loans & Guarantees Authorized	335	46,915,000	6	1,295,000
Cancellations	32	5,623,000		
Net Authorizations Made	303	41,292,000	6	1,295,000
Average Amount		136,300		215,800
Median Amount		69,300		197,500
Net Authorizations by Size				
50,000 & under	111	3,042,400		
50,001 to 100,000	66	5,201,300	2	200,000
100,001 to 200,000	61	9,663,300	1	150,000
200,001 to 500,000	55	17,094,000	3	945,000
Over 500,000	10	6,291,000		
Net Authorizations by Purpose				
Establish New Business	39	3,803,300		
Expand Existing Business	222	29,740,200	6	1,295,000
Purchase Existing Business	42	7,748,500		
Net Authorizations by Region				
Northern Alberta	86	11,541,400	1	245,000
Central Alberta	59	7,252,400		
Southern Alberta	48	5,964,600		
Edmonton	39	5,537,500	5	1,050,000
Calgary	71	10,996,100		

Loans and Guarantees

Authorizations to March 31

	2000		1999		1998		1997	
	#	$	#	$	#	$	#	$
Applications Received	481	75,770,400	483	75,969,400	555	87,185,400	572	79,307,100
Loans & Guarantees Authorized	341	48,210,000	322	44,301,500	368	51,902,200	354	45,171,600
Cancellations	32	5,623,000	36	5,033,500	52	5,579,000	49	6,995,000
Net Authorizations Made	309	42,587,000	286	39,268,000	316	46,323,200	305	38,176,600
Average Amount		137,800		137,300		146,600		125,200
Median Amount		80,900		83,500		78,800		61,600

Net Authorizations by Size

50,000 & under	111	3,042,400	108	2,963,200	117	3,036,300	137	3,146,500
50,001 to 100,000	68	5,401,300	53	4,266,500	72	5,345,100	69	5,362,100
100,001 to 200,000	62	9,813,300	63	9,081,800	53	7,506,300	58	8,427,700
200,001 to 500,000	58	18,039,000	53	15,451,500	56	17,257,000	25	8,455,300
Over 500,000	10	6,291,000	9	7,505,000	18	13,178,500	16	12,785,000

Net Authorizations by Purpose

Establish New Business	39	3,803,300	26	4,515,700	50	5,881,300	42	2,492,200
Expand Existing Business	228	31,035,200	223	29,457,400	221	30,683,700	226	30,949,900
Purchase Existing Business	42	7,748,500	37	5,294,900	45	9,758,200	37	4,734,500

Net Authorizations by Region

Northern Alberta	87	11,786,400	92	12,582,600	84	13,724,300	79	8,728,900
Central Alberta	59	7,252,400	58	9,070,800	58	9,053,200	52	5,547,100
Southern Alberta	48	5,964,600	48	6,334,000	61	9,270,500	62	5,448,300
Edmonton	44	6,587,500	35	4,132,200	54	6,106,700	49	7,707,000
Calgary	71	10,996,100	53	7,148,400	59	8,168,500	63	10,745,300

Total Net Authorizations by Region (to March 31, 2000)

Northern Alberta	2,219	250,376,100
Central Alberta	1,736	187,950,200
Southern Alberta	1,876	186,266,000
Edmonton	1,361	134,405,400
Calgary	1,632	157,811,300

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Calgary
Retired July, 1999

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John D. Ablett
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